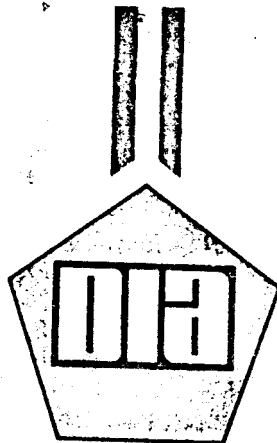


SECRET

Approved For Release 2007/05/30 : CIA-RDP83M00914R002700090022-4

DDB-1900-13-81



DEFENSE
INTELLIGENCE
AGENCY

*Free
Fall*

*4/14/81
Dr Collins -
you read this when it
went to Dep Sec Def. I think
publication in the format
will reap some benefit.*

Defense Intelligence Report:

Impact of US Grain Embargo on Soviet Food Supply (U)

APRIL 1981

DIA review completed

(b)

SECRET

Approved For Release 2007/05/30 : CIA-RDP83M00914R002700090022-4

SECRET

IMPACT OF US GRAIN EMBARGO ON SOVIET FOOD SUPPLY (U)

DDB-1900-13-81

Information Cutoff Date: 27 March 1981

**This is a Department of Defense Intelligence Document
prepared by the Resources Division,
Directorate for Research,
Defense Intelligence Agency**

**Author: Ronald L. Davis
Military Economics Branch**

**CLASSIFIED BY MULTIPLE SOURCES
REVIEW ON 27 MARCH 2001**

SECRET

(b)

SECRET

PREFACE

(S) This study was prompted by a question asked of the Defense Intelligence Agency by the Deputy Secretary of Defense in March 1981. The purpose of this study is to analyze the impact of the US grain embargo on the Soviet Union.

(U) Typing support was provided by Ms. Cheryl Caynor of the Resources Division Word Processing Center.

(U) Questions and comments concerning this publication should be referred in writing to the Defense Intelligence Agency (ATTN: DB-4E), Washington, D.C. 20301. Requests for additional copies should be forwarded through command approval channels, as appropriate, to DIA (ATTN: RTS-2A), using DD Form 1142, Interagency Document Request, in accordance with DIA Manual 59-3, DIA Reference Library.

iii

(Reverse Blank)

SECRET

SECRET

1. (S) The Soviet Union is facing the worst food situation that the Brezhnev regime has ever experienced. Food shortages, not just meat, are the most severe in the memory of the majority of Soviet workers. Two consecutive low grain harvests and the widespread and highly unusual failure of the vital potato and sugar beet crops account for the catastrophic food situation. A contributing factor is the US grain embargo, which the Soviets want lifted. As a consequence, Moscow's fear of even stricter US grain and Western technology sanctions is a major constraint regarding Soviet options in the Polish crisis.

2. (S/NOFORN) The 1979 grain crop of 179 million tons left the Soviet Union about 60 million tons short of the amount needed to sustain planned growth in the livestock sector, maintain carry-over stocks, and meet requirements for food, feed, and industrial uses. To compensate, Moscow was planning to import as much grain as its ports and other logistics could handle, about 36-38 million tons. The imposition of US grain sanctions in January 1980 limited these purchases to 8 million tons compared to the 25 million tons on which Moscow was counting. Of the 17 million tons denied by the US, the Soviets were able to replace about one-half by stepping up purchases from Argentina at considerable additional expense. *Yes*
Other major suppliers, such as Australia, Canada, and the European Community, *not* shipped only their contracted levels. Thus, with the embargo the Soviets were *quite* able to import about 28 million tons of the 36-38 million planned. This meant they were about 30 million tons short of obtaining the 60 million tons actually needed for adequate consumption levels. *so*

3. (S/NOFORN) A second low grain crop in 1980, of 189 million tons, coincided with an unprecedented one-third drop in the potato harvest, vital as both a diet staple and as fodder. The sugar beet crop was also hit hard by the same cold, wet weather that destroyed potatoes. In addition, Soviet fish catches have declined from 10 million tons in 1976 to 8.6 *in 1979 and were probably lower in 1980.* For the October 1980/September 1981 grain trading year, the Soviets have contracted for at least 30 million tons of grain and ports are currently operating at capacity. Additionally, the Soviets have recently taken the highly unusual move of purchasing at least 4 million tons of wheat flour and may be seeking more. *2-2-2-3*
This development signals that shortages of wheat and potato flour for human consumption are becoming so urgent that processing delays in the USSR cannot be afforded. The wheat flour ordered from the European Community and Canada cost \$450 per ton versus \$170 per ton for wheat. Soviet purchases of beef, edible oils, and sugar are also at record levels. An even more disastrous food crisis is being averted only by these massive imports. *?*

4. (U) The consequences of the grain failure have fallen heavily on the livestock sector. Severe shortages of grain for fodder have developed, and the already low level of meat production is declining further. Meat has virtually disappeared in many urban as well as rural areas and there are extreme shortages of milk, butter, cheese, and eggs. Of even greater concern to officials are frequent shortages of staples such as potatoes and flour. The prices of food-stuffs on private markets have soared and black marketing of state supplies is rampant. *over 100*

SECRET

SECRET

5. (S/NOFORN) The regime's long-term policy of improving food and living standards as incentives for greater labor productivity is a shambles. The decline in living standards triggered work stoppages at Togliatti and Gorkiy auto and truck plants in May. Unconfirmed reports that similar activities have occurred elsewhere in the USSR, including Dushanbe, Novosibirsk, Kuybyshev, and Grodno, a city on the Soviet-Polish border, have also been received. Violent demonstrations involving several thousand students took place in Tallinn on 22 September and on 1, 3, 7, and 8 October. Similar incidents occurred in other areas of Estonia, all of which were forcefully suppressed by militia.

6. (U) In Brezhnev's highly publicized 23 October 1980 address to the CPSU Central Committee and at the 26th Party Congress, the leadership's deep concern over agricultural problems and living standards was revealed. In these speeches, delivered in the midst of the Polish crisis, Brezhnev assigned highest economic priority to agriculture and people's welfare. He stated that an agroindustrial program is to be enacted which will be supported by all industries able to play a role. Recent changes in the organization of certain ministries along with changes of some high-level party and ministry officials show that an agroindustrial program is being structured. Even so, results will be long-term and cannot relieve the current shortages. The degree of hardship which the consumer will have to bear is unclear, as is the flash point at which further unrest will occur. The outcome will be partially determined by how successfully the Soviets can increase food imports. They traditionally import potatoes and other foodstuffs from Poland, but the food situation there is extremely poor, as it is throughout Eastern Europe.

7. (S/NOFORN) Further evidence that US grain sanctions are hurting the Soviets is provided by the high degree of urgency certain Soviet officials are expressing for the need to resume trade with the US. Additionally, if the US is willing to sign a new long-term agreement, Moscow would like to raise the guaranteed minimum grain tonnage to 12-15 million tons annually and would also like to buy flour, corn gluten, and soybeans.

8. (S) It seems clear that the Soviets believe that renewed access to US grain would go far toward easing Moscow's dilemma and provide options now denied. This may be of greatest concern with regard to formulating economic plans this year and through 1985. Consequently, Moscow is extremely sensitive to potential US and Western reaction to a military intervention in Poland. The Soviets are particularly vulnerable at this time to any further reductions in their ability to import food and grain. They fear that a miscalculation in Poland could coalesce the US, NATO, and other allies, such as Australia, to make such a possibility a reality.

IN USSR: according to the
US Grain Embargo, p. iv
we say "The dominant
problem for Soviet Russia
in 1971 is a second
successive bad harvest of
grain and other foods.
A continuation of the US
grain embargo on grain
would make little sense."

2
SECRET